

AMENDED IN SENATE JULY 8, 2015

AMENDED IN SENATE JUNE 9, 2015

## Senate Constitutional Amendment

No. 5

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Introduced by Senators Hancock and Mitchell

March 26, 2015

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Senate Constitutional Amendment No. 5—A resolution to propose to the people of the State of California an amendment to the Constitution of the State, by ~~amending Section 2 of, and adding Section 3.1 to Article XIII thereof,~~ by adding Sections 2.5 and 8.8 ~~to, to Article XIII A thereof,~~ by adding ~~Sections 8.8 and~~ Section 14 to Article XIII B thereof, and by adding Sections 8.6 and 8.7 to Article XVI thereof, relating to local government finance.

### LEGISLATIVE COUNSEL'S DIGEST

SCA 5, as amended, Hancock. Local government finance.

The California Constitution provides that all property is taxable, unless exempted by the California Constitution or by federal law. The California Constitution authorizes the Legislature to classify personal property for differential taxation or for exemption by means of a statute approved by a  $\frac{2}{3}$  vote of the membership of each house.

This measure would exempt from taxation an amount up to \$500,000 of tangible personal property used exclusively for business purposes. This measure would prohibit the Legislature from lowering this exemption amount or from changing its application, but would authorize it to be increased consistent with the authority described above. This measure would provide that this provision shall become operative on January 1, 2019.

This measure, for owners of commercial and industrial property subject to reassessment, who also operate a business or businesses on

that property, where the increase in assessed value as a result of this measure exceeds 25% compared to the assessed value of the property prior to the operation of this measure, would exempt that portion of the assessed value that exceeds 25% as so described from taxation for a period of 5 years if specified conditions are met.

The California Constitution generally limits ad valorem taxes on real property to 1% of the full cash value of that property. For purposes of this limitation, “full cash value” is defined as the assessor’s valuation of real property as shown on the 1975–76 tax bill under “full cash value” or, thereafter, the appraised value of that real property when purchased, newly constructed, or a change in ownership has occurred.

This measure, commencing on the lien date for the 2018–19 fiscal year, would require the full cash value of commercial and industrial property, as defined, to be the fair market value of that property as of the lien date. This measure, for the 2018–19 fiscal year, would require only 50% of those properties that have not been reassessed at fair market value, as specified, to be assessed at fair market value, and by the 2019–20 fiscal year would require all other properties that have not been brought to fair market value to be assessed at fair market value. ~~This bill~~ *measure* would require owners of property subject to reassessment as so described to pay only a portion, as provided, of any increase in property tax due in the first year and second years after initial reassessment to fair market value.

This measure would establish the Local School and Community College Property Tax Fund in the State Treasury, which would be continuously appropriated for the support of school districts, charter schools, schools operated by county offices of education, and community college districts. The measure would require the Controller to allocate 11% of the moneys in the fund to community college districts based on an equal amount per unit of full-time equivalent student receiving educational services, and 89% of the moneys in the fund to school districts, charter schools, and county offices of education. For school districts, charter schools, and county offices of education, the measure would require the Superintendent of Public Instruction to allocate the moneys based on a formula that would include a base grant, a supplemental grant, and a concentration grant, as specified. The measure would require moneys from the fund to support the K–14 educational program for instructional improvement and accountability, and would prohibit them from being used to pay administrative costs. The measure would require school districts, charter schools, and county offices of

education to demonstrate through their local control and accountability plans that they are increasing or improving services for unduplicated pupils in proportion to the increase in funds they receive pursuant to those supplemental and concentration grant allocations. The measure would prohibit moneys in the fund from being subject to appropriation, reversion, or a transfer by the Legislature, Governor, Director of Finance, or Controller for any purpose other than those specified in the measure, or from being loaned to the General Fund or any other fund of the state or any local government fund. The measure would, among other things, provide that moneys appropriated by the fund shall not be applied toward the minimum funding requirements for school districts and community college districts imposed by Section 8 of Article XVI of the California Constitution, and that they shall not be considered for purposes of calculations relating to the Budget Stabilization Account or the Public School System Stabilization Account.

This measure, for each fiscal year beginning with the 2018–19 fiscal year to the 2020–21 fiscal year, inclusive, would require the county assessor to make specified calculations to determine the total “baseline assessed value” and the “incremental assessed percentage” of commercial and industrial property, and to identify the “total revised assessed value” of all commercial and industrial property in the county as determined following the reassessment of commercial and industrial property. This measure would require the county assessor to make additional calculations using the total revised assessed value and the incremental assessed value to determine the incremental revenues available for distribution. This measure, beginning with the 2018–19 fiscal year and for each fiscal year thereafter, would require an amount equal to the reduction in revenues derived from the taxes ~~imposes~~ *imposed* pursuant to the Personal Income Tax Law and the Corporation Tax Law for each county resulting from the higher property taxes due to the reassessment of commercial and industrial properties and the lower property taxes due to the exemptions described above as estimated by the Franchise Tax Board, to be transferred by each county auditor to the state General Fund and the Mental Health Services Fund, as provided. This measure, beginning with the 2018–19 fiscal year to the 2020–21 fiscal year, inclusive, would require the county auditor, after transferring the amounts as so described to the state General Fund and the Mental Health Services Fund, to make specified determinations and calculations with respect to the remaining incremental revenues, and to transfer specified amounts to the ~~State~~ Controller for deposit in the

Local School and Community College Property Tax ~~Trust~~ Fund, for allocation and distribution, as described above. This measure would require the balance of the incremental revenues remaining after transferring the amounts as so described to the Controller to be allocated among local agencies. This measure would require the county auditor to report the incremental revenues available for distribution and calculation made, along with supporting documentation, to the Controller, and would require the Controller to certify that the calculation was properly made and to post the percentage figure for each county on the Controller's Internet Web site. This measure, for the 2021–22 fiscal year, would require the county assessor to perform the calculations described above, and would require the county auditor to report the resulting percentage to the Controller. This measure, for the 2021–22 fiscal year and each fiscal year thereafter, would require the county auditor to make the determinations and calculation described above, and to transfer the resulting property tax revenues to the ~~State~~ Controller for deposit in the Local School and Community College Property Tax Fund, and would require the balance of the incremental revenues to be allocated among local agencies.

This measure would require all local education agencies, community colleges, counties, cities and counties, cities, and special districts that receive funds from the *new* revenues generated by the reassessment of commercial and industrial properties to publicly disclose the amount of property tax revenues received, as specified, and how those revenues were spent, and to publish online all public disclosures, with a copy of each disclosure to the Controller. This measure would require all annual public audits required of local education agencies, community colleges, counties, cities and counties, cities, and special districts that receive funds from the *new* revenues generated by the reassessment of commercial and industrial properties to disclose the amount of property tax revenues received, as specified, and to confirm whether the use of those revenues is consistent with the requirements of this measure.

This measure would authorize expenses incurred by local education agencies to comply with these audit and disclosure requirements to be paid with funding from the Local School and Community College Property Tax Fund.

The California Constitution prohibits the annual appropriations subject to limitation of any entity of state or local government from exceeding its adjusted annual appropriations limit. The California Constitution defines “appropriations subject to limitation” as any authorization to

expend during a fiscal year the proceeds of taxes levied by or for that entity, and defines “proceeds of taxes” to include all tax revenues and the proceeds to an entity of government from specified sources.

This measure would prohibit proceeds of taxes, and appropriations subject to limitation of each entity of government, from including tax revenues generated by the reassessment of commercial and industrial property under this measure.

The California Constitution requires the state, whenever the Legislature or a state agency mandates a new program or higher level of service on any local government, to provide a subvention of funds to reimburse the local government, with specified exceptions.

This measure would exclude the duty to collect the tax revenues generated by the reassessment of commercial and industrial property under this measure from being considered a new program or higher level of service mandated by the state. This measure would, however, authorize the board of supervisors of a county or city and county to direct the county auditor to allocate to the county or city and county an amount equal to the actual direct administrative costs associated with the implementation of the reassessment of commercial and industrial property.

Vote:  $\frac{2}{3}$ . Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

1 WHEREAS, The majority of commercial and industrial  
2 properties are assessed at or close to their actual market value, and  
3 their owners are paying their share of property taxes to help support  
4 schools and other local services. But many other commercial and  
5 industrial properties currently are assessed far below their actual  
6 ~~value.~~ *value; and*

7 WHEREAS, According to a recent study by USC Dornsife  
8 researchers, owners of these—~~under-assessed~~ *underassessed*  
9 commercial and industrial properties are avoiding over \$9 billion  
10 in local property taxes that should be going to support schools,  
11 community colleges, and other community services such as public  
12 safety, fire protection, libraries, and ~~parks.~~ *parks; and*

13 WHEREAS, Proposition 13 was approved by voters in 1978 to  
14 protect homeowners from skyrocketing property taxes. But since  
15 then, under-assessment of commercial and industrial properties  
16 has contributed to a tax shift that has substantially increased the  
17 share of property taxes being paid by owners of residential

1 properties, including both homeowners and residential rental  
2 ~~property.~~ *property; and*

3 WHEREAS, Since 1978 the residential share of assessed value  
4 statewide has increased from 55% to 72% of the total while the  
5 commercial, industrial, and agricultural share of assessed value  
6 has decreased from 45% to just ~~28%.~~ *28%; and*

7 WHEREAS, The combination of Proposition 13 and the  
8 Williamson Act have been effective tools in the preservation of  
9 agricultural land and should be ~~protected.~~ *protected; and*

10 WHEREAS, When homeowners sell their homes, the property  
11 is reassessed to the full market value of the property based on the  
12 sales price. But many large corporations and wealthy individuals  
13 are able to take advantage of loopholes and complex stock  
14 manipulations to avoid reassessment when a *commercial or*  
15 *industrial* property changes hands. For example, in one widely  
16 publicized transaction, a wealthy CEO was able to structure the  
17 purchase of a \$200 million hotel property in a way that prevented  
18 reassessment, avoiding more than \$1.1 million a year in local  
19 ~~property taxes.~~ *taxes; and*

20 WHEREAS, California's current system of taxing commercial  
21 and industrial properties is an impediment to fair competition. It  
22 favors under-assessed businesses over other businesses competing  
23 for the same customers that are assessed at their actual value. It  
24 allows owners of under-assessed properties to avoid paying their  
25 share of taxes to support the local public services they benefit from  
26 just as much as the fully assessed businesses that are paying their  
27 ~~share.~~ *fair share; and*

28 WHEREAS, The current system of taxing commercial and  
29 industrial properties also creates perverse incentives that discourage  
30 owners from investing in improvements in order to avoid  
31 reassessment, while these same ~~under-assessed~~ *underassessed*  
32 owners are being unfairly advantaged over *other* commercial and  
33 industrial property owners, starting up or expanding an existing  
34 business, who are assessed at the full market value of their  
35 ~~property.~~ *property; and*

36 WHEREAS, The current system of assessing commercial and  
37 industrial properties has had the unintended consequence of  
38 encouraging sprawl and discouraging "smart growth," ~~working~~  
39 ~~against more efficient~~ *which is an inefficient* use of scarce resources  
40 such as energy, water, and ~~land.~~ *land; and*

1 WHEREAS, While the property tax on business equipment and  
2 fixtures is an irritating burden for small businesses, particularly  
3 for those attempting to start up or expand, it also provides revenues  
4 that support local services. Because this measure eliminates the  
5 under-assessment of commercial and industrial properties and  
6 thereby *provides* other revenue to support local services, it also  
7 can provide businesses with an exemption of up to \$500,000 for  
8 equipment and fixtures. A \$500,000 exemption helps all businesses,  
9 and will eliminate the tax on equipment and fixtures entirely for  
10 90% of businesses whether they own and operate their own small  
11 business or rent their place of ~~business~~; *business*; and

12 WHEREAS, If commercial and industrial properties pay their  
13 fair share of taxes, more money will be available for our public  
14 schools, which remain funded well below the national average.  
15 Because of the unique interactions between property tax revenues  
16 and the Proposition 98 minimum funding guarantee, however, the  
17 best way to ensure that all school districts benefit equally from  
18 these new property tax revenues is to place them in a special fund  
19 outside Proposition 98 and distribute them based on enrollment,  
20 with more revenues going to those districts that have higher  
21 proportions of low-income or English learner students and foster  
22 ~~youth~~; *youth*; and

23 WHEREAS, If California were a country, it would have the  
24 eighth largest economy in the world. California corporations are  
25 enjoying record profits and many businesses are starting up,  
26 expanding, and relocating here, even though some businesses do  
27 leave California. The complaints of some businesses and their  
28 spokespersons about high taxes are not an excuse for corporations  
29 and wealthy investors to avoid paying their fair share of local  
30 property taxes as do other businesses. Local communities are  
31 strengthened when everyone is contributing to the common good  
32 by paying their share to support schools, job training, public safety,  
33 fire protection, and other local ~~services~~; *services*; and

34 WHEREAS, Reforming commercial and industrial property  
35 assessments to bring under-assessed properties up to their full  
36 value will remove tax-induced disincentives to investment in  
37 commercial and industrial property, provide a level playing field  
38 for businesses to compete, and require owners of under-assessed  
39 properties to join with the majority of businesses already paying

1 their fair share to support local schools and other community  
2 ~~services; services; and~~

3 WHEREAS, Proposition 13 limits property tax rates to 1% of  
4 assessed value. Requiring assessors to bring assessments of  
5 under-assessed commercial and industrial properties up to their  
6 actual market value will not affect the 1% limitation on rates in  
7 any way. Property tax rates on California businesses will continue  
8 to be among the lowest in the ~~country; country; now, therefore,~~  
9 *be it*

10 *Resolved by the Senate, the Assembly concurring,* That the  
11 Legislature of the State of California at its 2015–16 Regular  
12 Session commencing on the first day of December 2014, two-thirds  
13 of the membership of each house concurring, hereby proposes to  
14 the people of the State of California that the Constitution of the  
15 State be amended as follows:

16 First— That it is the intent of the people of the State of  
17 California to do all of the following in this measure:

18 (a) Eliminate the inequities and impediments to economic  
19 growth caused by current laws governing the assessment of  
20 commercial and industrial properties, by requiring all commercial  
21 and industrial properties to be assessed at their full market value  
22 and reducing the property tax on business equipment and fixtures.

23 (b) Preserve in every way Proposition 13's protections for  
24 homeowners and for rental residential properties. This measure  
25 only affects the assessment of taxable commercial and industrial  
26 property.

27 (c) Make no change to existing laws affecting the taxation or  
28 preservation of agricultural land.

29 (d) Make sure schools, community colleges, counties, cities and  
30 counties, cities, and special districts are appropriately spending  
31 any new revenues they receive from this measure by requiring that  
32 new revenues and their expenditure be publicly disclosed and  
33 annually audited and that all required disclosures and audits are  
34 easily accessible online.

35 (e) Authorize the distribution *among local governments* of any  
36 new revenues resulting from the implementation of this law in the  
37 same manner as other property tax revenues.

38 (f) Ensure that the portion of any new revenues going to local  
39 schools and community colleges is treated as new revenues that  
40 are in addition to all other funding for schools and community



colleges, and ~~are~~ *is* allocated in a manner that benefits all schools and community colleges consistent with constitutional requirements. Accordingly, these additional funds for schools and community colleges shall not be considered funds of the State, shall not be subject to Proposition 98 or the Proposition 2 rainy day fund, and shall not be subject to appropriation by the Legislature. The funds will be allocated to school districts and community college districts based on enrollment. School districts with higher proportions of low-income and English learner students and foster youth will receive additional funds to provide more or better services to those students.

(g) ~~To assist~~ *Assist* small businesses, whether they own or rent their place of business, ~~reduce~~ *by reducing* the business tangible personal property tax on equipment and fixtures for each business by exempting \$500,000 of that property from taxation. This would eliminate the tax on equipment and fixtures for about 90 percent of all California businesses. The Legislature would be prohibited from lowering this exemption but would be authorized to increase it.

(h) Provide for the phase in of the assessment of under-assessed commercial and industrial properties to give county assessors time to effectively implement the new law.

(i) Provide owners of under-assessed commercial and industrial properties time to meet their obligations under the law by phasing in assessment increases resulting from the initial implementation of this law. Small business owners will be eligible for additional assistance in complying with the law through an additional five-year phase-in for small business owner-operators.

Second— That Section 3.1 is added to Article XIII thereof, to read:

SEC. 3.1. (a) For each taxpayer paying the tax on tangible personal property used exclusively for business purposes, an amount of up to five hundred thousand dollars (\$500,000) is exempt from taxation. Fixtures shall be included as tangible personal property subject to this exemption, but aircraft and vessels shall not be included. The Legislature shall not lower this exemption amount or change its application but otherwise may increase it consistent with the authority enumerated in Section 2.

(b) (1) For owners of property subject to reassessment under Section 2.5 of Article XIII A who operate a business or businesses

1 on that property, where the increase in assessed value as a result  
2 of this measure exceeds 25 percent compared to the assessed value  
3 of the property prior to the operation of this measure, that portion  
4 of the assessed value that exceeds 25 percent compared to the  
5 assessed value of the property prior to the operation of this measure  
6 shall be exempt from taxation for a period of five years following  
7 the reassessment of the property as a result of this measure,  
8 provided that all of the following conditions are met:

9 (A) The owner uses a majority of the property ~~or properties~~ for  
10 their own business purpose.

11 (B) The total fair market value is less than three million dollars  
12 (\$3,000,000) for the entire property, including land and buildings.  
13 Property owners owning properties in a single county shall certify  
14 under penalty of perjury that the aggregate fair market value of all  
15 their properties in that county does not exceed three million dollars  
16 (\$3,000,000) in order to qualify for this exemption. Property  
17 owners owning properties in more than one county must certify  
18 under penalty of perjury that the aggregate fair market value of all  
19 of their properties statewide does not exceed three million dollars  
20 (\$3,000,000) in order to qualify for this exemption.

21 (2) This exemption shall expire five years from its initial  
22 application to a ~~business commercial or industrial~~ property, at  
23 which time the property owner shall be liable for the full amount  
24 of property taxes levied on the property pursuant to the operation  
25 of this measure. However, property owners who have realized a  
26 reduction in property taxes as a result of the operation of this  
27 subdivision are not liable for the property taxes exempted for the  
28 duration of the operation of this exemption.

29 ~~Third— That Section 2 of Article XIII A thereof is amended~~  
30 ~~to read:~~

31 ~~SEC. 2. (a) The “full cash value” means the county assessor’s~~  
32 ~~valuation of real property as shown on the 1975–76 tax bill under~~  
33 ~~“full cash value” or, thereafter, except as otherwise provided in~~  
34 ~~Section 2.5, the full cash value base of real property. For purposes~~  
35 ~~of this section, the full cash value base of real property is the~~  
36 ~~appraised value of real property when purchased, newly~~  
37 ~~constructed, or a change in ownership has occurred after the 1975~~  
38 ~~assessment. All real property not already assessed up to the~~  
39 ~~1975–76 full cash value may be reassessed to reflect that valuation.~~  
40 ~~For purposes of this section, “newly constructed” does not include~~

1 real property that is reconstructed after a disaster, as declared by  
2 the Governor, where the fair market value of the real property, as  
3 reconstructed, is comparable to its fair market value prior to the  
4 disaster. For purposes of this section, the term “newly constructed”  
5 does not include that portion of an existing structure that consists  
6 of the construction or reconstruction of seismic retrofitting  
7 components, as defined by the Legislature.

8 However, the Legislature may provide that, under appropriate  
9 circumstances and pursuant to definitions and procedures  
10 established by the Legislature, any person over the age of 55 years  
11 who resides in property that is eligible for the homeowner’s  
12 exemption under subdivision (k) of Section 3 of Article XIII and  
13 any implementing legislation may transfer the base year value of  
14 the property entitled to exemption, with the adjustments authorized  
15 by subdivision (b), to any replacement dwelling of equal or lesser  
16 value located within the same county and purchased or newly  
17 constructed by that person as his or her principal residence within  
18 two years of the sale of the original property. For purposes of this  
19 section, “any person over the age of 55 years” includes a married  
20 couple one member of which is over the age of 55 years. For  
21 purposes of this section, “replacement dwelling” means a building,  
22 structure, or other shelter constituting a place of abode, whether  
23 real property or personal property, and any land on which it may  
24 be situated. For purposes of this section, a two-dwelling unit shall  
25 be considered as two separate single-family dwellings. This  
26 paragraph shall apply to any replacement dwelling that was  
27 purchased or newly constructed on or after November 5, 1986.

28 In addition, the Legislature may authorize each county board of  
29 supervisors, after consultation with the local affected agencies  
30 within the county’s boundaries, to adopt an ordinance making the  
31 provisions of this subdivision relating to transfer of base year value  
32 also applicable to situations in which the replacement dwellings  
33 are located in that county and the original properties are located  
34 in another county within this State. For purposes of this paragraph,  
35 “local affected agency” means any city, special district, school  
36 district, or community college district that receives an annual  
37 property tax revenue allocation. This paragraph applies to any  
38 replacement dwelling that was purchased or newly constructed on  
39 or after the date the county adopted the provisions of this  
40 subdivision relating to transfer of base year value, but does not

1 apply to any replacement dwelling that was purchased or newly  
2 constructed before November 9, 1988.

3 The Legislature may extend the provisions of this subdivision  
4 relating to the transfer of base year values from original properties  
5 to replacement dwellings of homeowners over the age of 55 years  
6 to severely disabled homeowners, but only with respect to those  
7 replacement dwellings purchased or newly constructed on or after  
8 the effective date of this paragraph.

9 (b) The full cash value base may reflect from year to year the  
10 inflationary rate not to exceed 2 percent for any given year or  
11 reduction as shown in the consumer price index or comparable  
12 data for the area under taxing jurisdiction, or may be reduced to  
13 reflect substantial damage, destruction, or other factors causing a  
14 decline in value.

15 (c) For purposes of subdivision (a), the Legislature may provide  
16 that the term “newly constructed” does not include any of the  
17 following:

18 (1) The construction or addition of any active solar energy  
19 system.

20 (2) The construction or installation of any fire sprinkler system;  
21 other fire extinguishing system, fire detection system, or fire-related  
22 egress improvement, as defined by the Legislature, that is  
23 constructed or installed after the effective date of this paragraph.

24 (3) The construction, installation, or modification on or after  
25 the effective date of this paragraph of any portion or structural  
26 component of a single- or multiple-family dwelling that is eligible  
27 for the homeowner’s exemption if the construction, installation,  
28 or modification is for the purpose of making the dwelling more  
29 accessible to a severely disabled person.

30 (4) The construction, installation, removal, or modification on  
31 or after the effective date of this paragraph of any portion or  
32 structural component of an existing building or structure if the  
33 construction, installation, removal, or modification is for the  
34 purpose of making the building more accessible to, or more usable  
35 by, a disabled person.

36 (d) For purposes of this section, the term “change in ownership”  
37 does not include the acquisition of real property as a replacement  
38 for comparable property if the person acquiring the real property  
39 has been displaced from the property replaced by eminent domain  
40 proceedings, by acquisition by a public entity, or governmental

1 action that has resulted in a judgment of inverse condemnation.  
2 The real property acquired shall be deemed comparable to the  
3 property replaced if it is similar in size, utility, and function, or if  
4 it conforms to state regulations defined by the Legislature  
5 governing the relocation of persons displaced by governmental  
6 actions. This subdivision applies to any property acquired after  
7 March 1, 1975, but affects only those assessments of that property  
8 that occur after the provisions of this subdivision take effect.

9 (e) (1) Notwithstanding any other provision of this section, the  
10 Legislature shall provide that the base year value of property that  
11 is substantially damaged or destroyed by a disaster, as declared  
12 by the Governor, may be transferred to comparable property within  
13 the same county that is acquired or newly constructed as a  
14 replacement for the substantially damaged or destroyed property.

15 (2) Except as provided in paragraph (3), this subdivision applies  
16 to any comparable replacement property acquired or newly  
17 constructed on or after July 1, 1985, and to the determination of  
18 base year values for the 1985-86 fiscal year and fiscal years  
19 thereafter.

20 (3) In addition to the transfer of base year value of property  
21 within the same county that is permitted by paragraph (1), the  
22 Legislature may authorize each county board of supervisors to  
23 adopt, after consultation with affected local agencies within the  
24 county, an ordinance allowing the transfer of the base year value  
25 of property that is located within another county in the State and  
26 is substantially damaged or destroyed by a disaster, as declared  
27 by the Governor, to comparable replacement property of equal or  
28 lesser value that is located within the adopting county and is  
29 acquired or newly constructed within three years of the substantial  
30 damage or destruction of the original property as a replacement  
31 for that property. The scope and amount of the benefit provided  
32 to a property owner by the transfer of base year value of property  
33 pursuant to this paragraph shall not exceed the scope and amount  
34 of the benefit provided to a property owner by the transfer of base  
35 year value of property pursuant to subdivision (a). For purposes  
36 of this paragraph, "affected local agency" means any city, special  
37 district, school district, or community college district that receives  
38 an annual allocation of ad valorem property tax revenues. This  
39 paragraph applies to any comparable replacement property that is  
40 acquired or newly constructed as a replacement for property

1 substantially damaged or destroyed by a disaster, as declared by  
2 the Governor, occurring on or after October 20, 1991, and to the  
3 determination of base year values for the 1991–92 fiscal year and  
4 fiscal years thereafter.

5 (f) For the purposes of subdivision (e):

6 (1) Property is substantially damaged or destroyed if it sustains  
7 physical damage amounting to more than 50 percent of its value  
8 immediately before the disaster. Damage includes a diminution in  
9 the value of property as a result of restricted access caused by the  
10 disaster.

11 (2) Replacement property is comparable to the property  
12 substantially damaged or destroyed if it is similar in size, utility,  
13 and function to the property that it replaces, and if the fair market  
14 value of the acquired property is comparable to the fair market  
15 value of the replaced property prior to the disaster.

16 (g) For purposes of subdivision (a), the terms “purchased” and  
17 “change in ownership” do not include the purchase or transfer of  
18 real property between spouses since March 1, 1975, including, but  
19 not limited to, all of the following:

20 (1) Transfers to a trustee for the beneficial use of a spouse, or  
21 the surviving spouse of a deceased transferor, or by a trustee of  
22 such a trust to the spouse of the trustor.

23 (2) Transfers to a spouse that take effect upon the death of a  
24 spouse.

25 (3) Transfers to a spouse or former spouse in connection with  
26 a property settlement agreement or decree of dissolution of a  
27 marriage or legal separation.

28 (4) The creation, transfer, or termination, solely between  
29 spouses, of any coowner’s interest.

30 (5) The distribution of a legal entity’s property to a spouse or  
31 former spouse in exchange for the interest of the spouse in the  
32 legal entity in connection with a property settlement agreement or  
33 a decree of dissolution of a marriage or legal separation.

34 (h) (1) For purposes of subdivision (a), the terms “purchased”  
35 and “change in ownership” do not include the purchase or transfer  
36 of the principal residence of the transferor in the case of a purchase  
37 or transfer between parents and their children, as defined by the  
38 Legislature, and the purchase or transfer of the first one million  
39 dollars (\$1,000,000) of the full cash value of all other real property  
40 between parents and their children, as defined by the Legislature.

1 This subdivision applies to both voluntary transfers and transfers  
2 resulting from a court order or judicial decree.

3 (2) (A) Subject to subparagraph (B), commencing with  
4 purchases or transfers that occur on or after the date upon which  
5 the measure adding this paragraph becomes effective, the exclusion  
6 established by paragraph (1) also applies to a purchase or transfer  
7 of real property between grandparents and their grandchild or  
8 grandchildren, as defined by the Legislature, that otherwise  
9 qualifies under paragraph (1), if all of the parents of that grandchild  
10 or those grandchildren, who qualify as the children of the  
11 grandparents, are deceased as of the date of the purchase or transfer.

12 (B) A purchase or transfer of a principal residence shall not be  
13 excluded pursuant to subparagraph (A) if the transferee grandchild  
14 or grandchildren also received a principal residence, or interest  
15 therein, through another purchase or transfer that was excludable  
16 pursuant to paragraph (1). The full cash value of any real property,  
17 other than a principal residence, that was transferred to the  
18 grandchild or grandchildren pursuant to a purchase or transfer that  
19 was excludable pursuant to paragraph (1), and the full cash value  
20 of a principal residence that fails to qualify for exclusion as a result  
21 of the preceding sentence, shall be included in applying, for  
22 purposes of subparagraph (A), the one-million-dollar (\$1,000,000)  
23 full cash value limit specified in paragraph (1).

24 (i) (1) Notwithstanding any other provision of this section, the  
25 Legislature shall provide with respect to a qualified contaminated  
26 property, as defined in paragraph (2), that either, but not both, of  
27 the following apply:

28 (A) (i) Subject to the limitation of clause (ii), the base year  
29 value of the qualified contaminated property, as adjusted as  
30 authorized by subdivision (b), may be transferred to a replacement  
31 property that is acquired or newly constructed as a replacement  
32 for the qualified contaminated property, if the replacement real  
33 property has a fair market value that is equal to or less than the  
34 fair market value of the qualified contaminated property if that  
35 property were not contaminated and, except as otherwise provided  
36 by this clause, is located within the same county. The base year  
37 value of the qualified contaminated property may be transferred  
38 to a replacement real property located within another county if the  
39 board of supervisors of that other county has, after consultation  
40 with the affected local agencies within that county, adopted a

1 resolution authorizing an intercounty transfer of base year value  
2 as so described.

3 (ii) ~~This subparagraph applies only to replacement property that~~  
4 ~~is acquired or newly constructed within five years after ownership~~  
5 ~~in the qualified contaminated property is sold or otherwise~~  
6 ~~transferred.~~

7 (B) ~~In the case in which the remediation of the environmental~~  
8 ~~problems on the qualified contaminated property requires the~~  
9 ~~destruction of, or results in substantial damage to, a structure~~  
10 ~~located on that property, the term “new construction” does not~~  
11 ~~include the repair of a substantially damaged structure, or the~~  
12 ~~construction of a structure replacing a destroyed structure on the~~  
13 ~~qualified contaminated property, performed after the remediation~~  
14 ~~of the environmental problems on that property, provided that the~~  
15 ~~repaired or replacement structure is similar in size, utility, and~~  
16 ~~function to the original structure.~~

17 (2) For purposes of this subdivision, “qualified contaminated  
18 property” means residential or nonresidential real property that is  
19 all of the following:

20 (A) ~~In the case of residential real property, rendered~~  
21 ~~uninhabitable, and in the case of nonresidential real property,~~  
22 ~~rendered unusable, as the result of either environmental problems,~~  
23 ~~in the nature of and including, but not limited to, the presence of~~  
24 ~~toxic or hazardous materials, or the remediation of those~~  
25 ~~environmental problems, except where the existence of the~~  
26 ~~environmental problems was known to the owner, or to a related~~  
27 ~~individual or entity as described in paragraph (3), at the time the~~  
28 ~~real property was acquired or constructed. For purposes of this~~  
29 ~~subparagraph, residential real property is “uninhabitable” if that~~  
30 ~~property, as a result of health hazards caused by or associated with~~  
31 ~~the environmental problems, is unfit for human habitation, and~~  
32 ~~nonresidential real property is “unusable” if that property, as a~~  
33 ~~result of health hazards caused by or associated with the~~  
34 ~~environmental problems, is unhealthy and unsuitable for~~  
35 ~~occupancy.~~

36 (B) ~~Located on a site that has been designated as a toxic or~~  
37 ~~environmental hazard or as an environmental cleanup site by an~~  
38 ~~agency of the State of California or the federal government.~~

39 (C) ~~Real property that contains a structure or structures thereon~~  
40 ~~prior to the completion of environmental cleanup activities, and~~



1 that structure or structures are substantially damaged or destroyed  
2 as a result of those environmental cleanup activities.

3 ~~(D) Stipulated by the lead governmental agency, with respect~~  
4 ~~to the environmental problems or environmental cleanup of the~~  
5 ~~real property, not to have been rendered uninhabitable or unusable,~~  
6 ~~as applicable, as described in subparagraph (A), by any act or~~  
7 ~~omission in which an owner of that real property participated or~~  
8 ~~acquiesced.~~

9 ~~(3) It shall be rebuttably presumed that an owner of the real~~  
10 ~~property participated or acquiesced in any act or omission that~~  
11 ~~rendered the real property uninhabitable or unusable, as applicable,~~  
12 ~~if that owner is related to any individual or entity that committed~~  
13 ~~that act or omission in any of the following ways:~~

14 ~~(A) Is a spouse, parent, child, grandparent, grandchild, or sibling~~  
15 ~~of that individual.~~

16 ~~(B) Is a corporate parent, subsidiary, or affiliate of that entity.~~

17 ~~(C) Is an owner of, or has control of, that entity.~~

18 ~~(D) Is owned or controlled by that entity.~~

19 ~~If this presumption is not overcome, the owner shall not receive~~  
20 ~~the relief provided for in subparagraph (A) or (B) of paragraph~~  
21 ~~(1). The presumption may be overcome by presentation of~~  
22 ~~satisfactory evidence to the assessor, who shall not be bound by~~  
23 ~~the findings of the lead governmental agency in determining~~  
24 ~~whether the presumption has been overcome.~~

25 ~~(4) This subdivision applies only to replacement property that~~  
26 ~~is acquired or constructed on or after January 1, 1995, and to~~  
27 ~~property repairs performed on or after that date.~~

28 ~~(j) Unless specifically provided otherwise, amendments to this~~  
29 ~~section adopted prior to November 1, 1988, are effective for~~  
30 ~~changes in ownership that occur, and new construction that is~~  
31 ~~completed, after the effective date of the amendment. Unless~~  
32 ~~specifically provided otherwise, amendments to this section~~  
33 ~~adopted after November 1, 1988, are effective for changes in~~  
34 ~~ownership that occur, and new construction that is completed, on~~  
35 ~~or after the effective date of the amendment.~~

36 ~~Fourth—~~

37 ~~Third—~~ That Section 2.5 is added to Article XIII A thereof, to  
38 read:

39 SEC. 2.5. (a) (1) This section shall not apply to residential  
40 property as defined in this section, whether it is occupied by a

1 homeowner or a renter. *Residential property as defined in this*  
2 *section shall be assessed consistent with Section 2 of Article XIII.*  
3 This section shall also not apply to real property used for  
4 commercial agricultural production as defined in this section.  
5 *Property used for commercial agricultural production as defined*  
6 *in this section shall be assessed consistent with Section 2 of Article*  
7 *XIII.*

8 (2) ~~For~~ *Notwithstanding Section 2 of Article XIII, for the lien*  
9 *date for the 2018–19 fiscal year and each lien date thereafter, the*  
10 *“full cash value” of commercial and industrial real property that*  
11 *is not used for commercial agricultural production or is otherwise*  
12 *exempt under the Constitution or a statute enacted pursuant to the*  
13 *authority in Section 2 of Article XIII is the fair market value of*  
14 *that property as of that date, except as provided in* ~~subdivision~~  
15 *subdivisions (b) and (c).*

16 (b) (1) For the 2018–19 fiscal year only, the requirement that  
17 those commercial and industrial properties subject to reassessment  
18 under this section be assessed at fair market value shall apply only  
19 to the 50 percent of such properties that have not been brought to  
20 fair market value for any part of their property for the greatest  
21 number of years prior to the 2018–19 lien date.

22 (2) For the 2019–20 and 2020–21 fiscal years only, the assessed  
23 value of properties assessed at full market value pursuant to  
24 paragraph (1) shall be increased by the rate of inflation, but not  
25 more than 2 percent.

26 (3) Owners of property subject to this subdivision shall be  
27 required to pay one-third of the amount of any increase in property  
28 tax due and payable resulting from initial assessment to fair market  
29 value in the first year upon receiving the new valuation required  
30 ~~by subdivision (b), paragraph (1),~~ two-thirds of the amount of any  
31 increase in property tax due and payable in the second year, and  
32 the full amount of any property tax due and payable in the third  
33 year after initial reassessment to fair market value and in  
34 subsequent years thereafter. The balance of the amounts due for  
35 the first and second years following initial assessment to full market  
36 ~~value shall be~~ *are hereby* forgiven.

37 (c) (1) All other commercial and industrial properties subject  
38 to reassessment under this section shall be assessed at fair market  
39 ~~value by the lien date for 2019–20.~~ *2019–20 lien date.*

1 (2) For the 2020–21 fiscal year only, the assessed value of  
2 properties assessed at full market value pursuant to paragraph (1)  
3 shall be increased by the rate of inflation, but not more than 2  
4 percent.

5 (3) Owners of property subject to this subdivision shall be  
6 required to pay one-half of the amount of any increase in property  
7 tax due and payable resulting from initial assessment to fair market  
8 value in the first year upon receiving the new valuation required  
9 by ~~subdivision (b)~~ *paragraph (1)* and the full amount of any  
10 property tax due and payable in the year following initial  
11 reassessment and in subsequent years thereafter. The balance of  
12 the amount due for the first year following initial assessment to  
13 full market value ~~shall be~~ *are hereby* forgiven.

14 (d) For purposes of this section:

15 (1) “Commercial and industrial real property” means any real  
16 property that is not residential property or not used for commercial  
17 agricultural production.

18 (2) “Residential property” shall include both single-family and  
19 multiunit structures, and the land on which such structures are  
20 constructed, that are intended to be used and are used for long-term  
21 residential occupancy, but shall exclude hotels, ~~motels~~ *motels*, and  
22 similar structures that are used primarily for transient and  
23 ~~non-permanent~~ *nonpermanent* residence.

24 (3) “Real property used for commercial agricultural production”  
25 is real property that is used and zoned for producing commercial  
26 agricultural commodities and is real property for which either of  
27 the following applies:

28 (A) The real property is an unimproved parcel to which both of  
29 the following apply:

30 (i) The parcel is used and zoned for producing commercial  
31 agricultural commodities.

32 (ii) The parcel does not contain a single-family residence or a  
33 multifamily residence that was subdivided in accordance with the  
34 Subdivision Map Act (Division 2 (commencing with Section  
35 66410) of Title 7 of the Government Code), or any successor to  
36 that law, or that was described and conveyed in one or more deeds  
37 separating the parcel from all adjoining property.

38 (B) The parcel of real property contains only living  
39 improvements. Improvements other than those intended and used

1 for habitation shall be considered commercial and industrial  
2 property for purposes of this section.

3 (e) Notwithstanding subdivision (a), it is the intent of the voters  
4 in this section to provide a transition to fair market value as  
5 provided in ~~subdivision~~ *subdivisions* (b) and (c), for the purposes  
6 of ~~assuring~~ *ensuring* a reasonable workload and implementation  
7 period for county assessors and taxpayers.

8 ~~Fifth—~~

9 *Fourth—* That Section 8.8 is added to Article XIII A thereof,  
10 to read:

11 SEC. 8.8. (a) All local education agencies, community  
12 colleges, counties, cities and counties, cities, and special districts  
13 that receive funds from the *new* revenues generated by Section 2.5  
14 of Article XIII A shall publicly disclose each year, including in  
15 their annual budgets, the amount of property tax revenues they  
16 received for that fiscal year as the result of Section 2.5 of Article  
17 XIII A and how those revenues were spent.

18 (b) All annual public audits required of local education agencies,  
19 community colleges, counties, cities and counties, cities, and  
20 special districts that receive funds from the *new* revenues generated  
21 by Section 2.5 of Article XIII A shall disclose the amount of  
22 property tax revenues received for that fiscal year as the result of  
23 Section 2.5 of Article XIII A and confirm whether the use of those  
24 revenues is consistent with the requirements of this ~~act~~ *measure*.

25 (c) All local education agencies, community colleges, counties,  
26 cities and counties, cities, and special districts receiving new  
27 revenues generated by Section 2.5 of Article XIII A shall publish  
28 online all public disclosures required by this ~~measure~~ *section*,  
29 with a copy of each disclosure to the Controller.

30 (d) Expenses incurred by local education agencies receiving  
31 new revenues generated by Section 2.5 of Article XIII A to comply  
32 with the audit and disclosure requirement of this section may be  
33 paid with funding from the Local School and Community College  
34 Property Tax Fund, and shall not be considered administrative  
35 costs for purposes of ~~subsection~~ *subdivision* (b) of Section 8.7 of  
36 Article XVI.

37 ~~Sixth—~~

38 *Fifth—* That Section 14 is added to Article XIII B thereof, to  
39 read:

1 SEC. 14. (a) For purposes of this article, “proceeds of taxes”  
2 shall not include the revenues generated by Section 2.5 of Article  
3 XIII A.

4 (b) For purposes of this article, “appropriations subject to  
5 limitation” of each entity of government shall not include  
6 appropriations of revenues generated by Section 2.5 of Article  
7 XIII A.

8 (c) The duty to collect the revenues generated by Section 2.5  
9 of Article XIII A shall not be considered a new program or higher  
10 level of service mandated by the State for purposes of this article.  
11 The board of supervisors of a county or city and county, upon the  
12 adoption of a method identifying the actual direct administrative  
13 costs identified in Section 75.60 of the Revenue and Taxation  
14 Code, as that section read on July 1, 2015, that are associated with  
15 the implementation of Section 2.5 of Article XIII A, may direct  
16 the county auditor to allocate to the county or city and county,  
17 prior to any allocation of property tax revenues, an amount equal  
18 to the actual direct administrative costs, but not to exceed 3 percent  
19 of the revenues that have been collected as a result of the  
20 implementation of Section 2.5 of Article XIII A. The amount  
21 determined to provide reimbursement for the actual direct  
22 administrative costs of implementing Section 2.5 of Article XIII A  
23 shall be deducted proportionately from the allocations to be  
24 provided to cities, the county, and special districts, but not deducted  
25 from the school share of any increased allocation. The board of  
26 supervisors shall identify the ongoing costs of ~~implementation of~~  
27 *implementing* Section 2.5 of Article XIII A annually.

28 ~~Seventh—~~

29 *Sixth—* That Section 8.6 is added to Article XVI thereof, to  
30 read:

31 SEC. 8.6. (a) For each fiscal year beginning with the 2018–19  
32 fiscal year to the 2020–21 fiscal year, inclusive, county assessors  
33 shall calculate the following:

34 (1) The total “baseline assessed value” of all commercial and  
35 industrial property in the county subject to Section 2.5 of Article  
36 XIII A. The total “baseline assessed value” shall be calculated as  
37 follows:

38 (A) The county assessor shall identify the total assessed value  
39 of commercial and industrial property as determined pursuant to  
40 Chapter 1 (commencing with Section 50) of Part 0.5 of Division

1 of the Revenue and Taxation Code, as that chapter read on July 1, 2015, for the 2017–18 fiscal year.

(B) The amount in subparagraph (A) shall be increased by the amount for that fiscal year determined pursuant to Section 51 of the Revenue and Taxation Code, as that section read on July 1, 2015.

(C) The county assessor shall add to the amount determined pursuant to subparagraph (B) the incremental increase in assessed value of commercial and industrial property resulting from the sale or transfer of properties for purposes of the respective January 1 lien dates beginning with the 2018–19 fiscal year to the 2020–21 fiscal year, inclusive, provided the sale or transfer would have triggered reassessment pursuant to Chapter 2 (commencing with Section 60) of Part 0.5 of Division 1 of the Revenue and Taxation Code, as that chapter read on July 1, 2015.

(D) The county assessor shall add to the amount determined pursuant to subparagraph (C) the incremental increase in assessed value of commercial and industrial property resulting in new construction for purposes of the respective January 1 lien dates beginning with the 2018–19 fiscal year to the 2020–21 fiscal year, inclusive, as determined pursuant to Chapter 3 (commencing with Section 70) of Part 0.5 of Division 1 of the Revenue and Taxation Code, as that chapter read on July 1, 2015.

(2) The county assessor shall identify the total “revised assessed value” of all commercial and industrial property in the county as determined following the reassessment required by Section 2.5 of Article XIII A for each fiscal year beginning with the 2018–19 fiscal year to the 2020–21 fiscal year, inclusive, except that for the 2018–19 and 2019–20 fiscal years, the amount of assessed value shall be reduced to reflect the amounts actually due and payable pursuant to subdivisions (b) and (c) of Section 2.5 of Article XIII A.

(3) For each fiscal year beginning with the 2018–19 fiscal year to the 2020–21 fiscal year, inclusive, the county assessor shall subtract the amount determined pursuant to subparagraph (D) of paragraph (1) from the amount determined pursuant to paragraph (2).

(4) For each fiscal year beginning with the 2018–19 fiscal year to the 2020–21 fiscal year, inclusive, the county assessor shall divide the amount determined pursuant to paragraph (3) by the

1 amount determined pursuant to paragraph (2). The resulting  
2 percentage shall be known as the “incremental assessed percentage”  
3 of commercial and industrial property in the county subject to  
4 Section 2.5 of Article XIII A.

5 (b) For each fiscal year beginning with the 2018–19 fiscal year  
6 to the 2020–21 fiscal year, inclusive, county assessors shall  
7 multiply the total revised assessed value by the incremental  
8 assessed percentage and a tax rate of one percent to determine the  
9 incremental revenues available for distribution as the result of  
10 Section 2.5 of Article XIII A.

11 (c) For each fiscal year beginning with the 2018–19 fiscal year  
12 ~~and for each fiscal year thereafter, year,~~ all of the following shall  
13 apply:

14 (1) An amount equal to the reduction in revenues derived from  
15 the taxes imposed pursuant to the Personal Income Tax Law (Part  
16 10 (commencing with Section 17001) of Division 2 of the Revenue  
17 and Taxation Code) and the Corporation Tax Law (Part 11  
18 (commencing with Section 23001) of Division 2 of the Revenue  
19 and Taxation Code), as those laws read on July 1, 2015, for each  
20 county resulting from the higher property taxes due to the  
21 implementation of Section 2.5 of Article XIII A and the lower  
22 property taxes due to the implementation of Section 3.1 of Article  
23 XIII, as estimated by the Franchise Tax Board each year for that  
24 fiscal year, shall be transferred by May 15 of each year beginning  
25 with the 2018–19 fiscal year and each fiscal year thereafter by  
26 each county auditor to the Controller for deposit in the General  
27 Fund and the Mental Health Services Fund, respectively.

28 (2) An amount equal to the reduction in property taxes resulting  
29 from the exemption provided pursuant to subdivision (a) of Section  
30 3.1 of Article XIII shall be calculated by the county auditor  
31 beginning with the ~~2018–19~~ 2019–20 fiscal year and each fiscal  
32 year thereafter. For purposes of calculating the aggregate amount  
33 of personal property taxes exempted under that subdivision for  
34 each fiscal year, the auditor shall apply the average annual rate of  
35 growth of tangible personal property used exclusively for business  
36 purposes for the period from the 2012–13 fiscal year to the  
37 2017–18 fiscal year, inclusive, to the total tangible personal  
38 property used exclusively for business purposes for the prior fiscal  
39 year and subtract the amount of tangible personal property used  
40 exclusively for business purposes not exempted for that fiscal year.

1 (3) An amount equal to the value of foregone property tax  
2 revenues pursuant to subdivision (b) of Section 3.1 of Article XIII  
3 shall be calculated by the county auditor.

4 (d) For each fiscal year beginning with the 2018–19 fiscal year  
5 to the 2020–21 fiscal year, inclusive, the county auditor shall do  
6 the following with the incremental revenues remaining after  
7 deducting from those revenues the amounts determined pursuant  
8 to subdivision (c):

9 (1) Determine the combined weighted average tax rate in each  
10 county for K–12 school districts, county offices of ~~education~~  
11 *education*, and community college districts. The weighted average  
12 tax rate in each county for K–12 school districts, county offices  
13 of ~~education~~ *education*, and community college districts shall be  
14 calculated by the county auditor by averaging the effective  
15 combined tax rate for all of the K–12 school districts, the county  
16 office of ~~education~~ *education*, and all community college districts  
17 in each tax rate area using weights for each tax rate area determined  
18 by calculating the share of the total assessed value of commercial  
19 and industrial property for each tax rate area of the total assessed  
20 value of commercial and industrial property as determined pursuant  
21 to Chapter 1 (commencing with Section 50) of Part 0.5 of Division  
22 1 of the Revenue and Taxation Code, as that chapter read on July  
23 1, 2015, for the 2017–18 fiscal year for all tax rate areas in the  
24 county.

25 (2) Multiply the incremental revenues remaining after deducting  
26 the amounts determined pursuant to subdivision (c) by the  
27 combined weighted average tax rate determined pursuant to  
28 paragraph (1). ~~Half~~ *One-half* of the resulting amount of property  
29 tax revenue shall be transferred by the county auditor to the  
30 Controller on February 1 of each fiscal year and ~~half~~ *one-half* of  
31 the resulting amount of property tax revenue shall be transferred  
32 to the Controller on June 1 of each fiscal year, and shall be  
33 deposited into the Local School and Community College Property  
34 Tax-~~Trust~~ Fund for allocation and distribution as set forth in  
35 Section 8.7 of Article ~~XIII A~~. XVI.

36 (3) The balance of the incremental revenues remaining after  
37 deducting the amounts determined pursuant to subdivision (c) and  
38 the amount transferred pursuant to paragraph (2) shall be allocated  
39 to local agencies pursuant to Chapter 6 (commencing with Section



95) of Part 0.5 of Division 1 of the Revenue and Taxation Code, as that chapter read on July 1, 2015.

(4) Report the incremental revenues available for distribution determined pursuant to subdivision (b), the deductions attributable to subdivision (c), and the combined weighted average tax rate in each county for K–12 school districts, county offices of education, and community college districts determined pursuant to paragraph (1), along with supporting documentation, to the Controller who shall certify that the calculation was properly calculated and post the percentage figure for each county on the Controller’s Internet Web site.

(e) (1) For the 2021–22 fiscal year, the county assessor shall perform the calculations specified in paragraphs (1) to (4), inclusive, of subdivision (a) for that fiscal year. The county auditor shall report the resulting percentage figure to the Controller who shall certify that the calculation was properly calculated and post the percentage figure for each county on the Controller’s Internet Web site.

(2) (A) For the 2021–22 fiscal year and each fiscal year thereafter, the county auditor shall perform the calculation specified in paragraph (2) of subdivision (d) using the result of the calculation in paragraph (1) and the percentage determined in paragraph (1) of subdivision (d) and shall transfer ~~half~~ *one-half* the resulting amount of property tax revenue to the Controller on February 1 of each fiscal year and transfer ~~half~~ *one-half* of the resulting amount of property tax revenue to the Controller on June 1 of each fiscal year, for deposit in the Local School and Community College Property Tax Fund for allocation and distribution as set forth in Section 8.7 of Article ~~XIII~~ *A*. ~~XVI~~.

(B) The balance of the incremental revenues remaining after deducting the amounts determined pursuant to subdivision (c) and the amount transferred pursuant to ~~paragraph~~ *subparagraph* (A) shall be allocated to local agencies pursuant to Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code as that chapter read on July 1, 2015.

(C) In making the calculation in subparagraph (A), the county auditor shall calculate the amount of total revised assessed value as if no exemption of property taxes were being provided pursuant to subdivision (b) of Section 3.1 of Article XIII.

1 ~~Eighth—~~

2 *Seventh—* That Section 8.7 is added to Article XVI thereof, to  
3 read:

4 SEC. 8.7. (a) The Local School and Community College  
5 Property Tax Fund is hereby created in the State Treasury to be  
6 held in trust for the purposes set forth below and is continuously  
7 appropriated for the support of school districts, charter schools,  
8 schools operated by county offices of education, and community  
9 college districts, as follows:

10 (1) Eleven percent(~~11%~~) to community colleges. Each year the  
11 Controller shall allocate the funds to each community college  
12 district based on an equal amount per unit of full-time equivalent  
13 student receiving educational services.

14 (2) Eighty-nine percent(~~89%~~) to school districts, charter schools,  
15 and county offices of education for schools operated by the county  
16 superintendent of schools.

17 (3) Each year the Controller shall allocate the funds to school  
18 districts, charter schools, and county offices of education based  
19 on the following formula, to be calculated annually by the  
20 Superintendent of Public Instruction:

21 (A) A base grant based on an equal amount per enrolled student  
22 in each school district or charter school, provided, however, that  
23 the base grant shall be adjusted by grade span, as follows: no grade  
24 span adjustment per enrolled student in grades kindergarten to  
25 grade 3, inclusive; 1.5 percent more per enrolled student in grades  
26 4 to 6, inclusive; 4.5 percent more per enrolled student in grades  
27 7 and 8; and 21 percent more per enrolled student in grades 9 to  
28 12, inclusive. County offices of education shall receive a base  
29 grant per student enrolled in schools operated by the county  
30 superintendent of schools that is 33 percent more per enrolled  
31 student than the base grant for school districts, but shall receive  
32 no grade span adjustments to the base grant.

33 (B) A supplemental grant add-on for school districts and charter  
34 schools equal to 20 percent of the base grant calculated pursuant  
35 to subparagraph (A), multiplied by the percentage of unduplicated  
36 pupils in that school district or charter school, and a supplemental  
37 grant add-on for county offices of education equal to 35 percent  
38 of the base grant calculated pursuant to subparagraph (A),  
39 multiplied by the percentage of unduplicated pupils enrolled in  
40 schools operated by the county superintendent of schools.

1 (C) A concentration grant add-on for school districts and charter  
2 schools equal to 50 percent of the base grant calculated pursuant  
3 to subparagraph (A), multiplied by the percentage of unduplicated  
4 pupils in that school district or charter school in excess of 55  
5 percent of the total enrollment in that school district or charter  
6 school, and a concentration grant add-on for county offices of  
7 education equal to 35 percent of the base grant calculated pursuant  
8 to subparagraph (A), multiplied by the percentage of unduplicated  
9 pupils enrolled in schools operated by the county superintendent  
10 of schools in excess of 50 percent of the total enrollment in those  
11 schools.

12 (D) An amount equal to 10.4 percent of the base grant per  
13 enrolled student in kindergarten and grades 1 to 3, inclusive, for  
14 school districts and charter schools that maintain an average class  
15 enrollment of not more than 24 students for each schoolsite in  
16 kindergarten and grades 1 to 3, inclusive, unless a collectively  
17 bargained alternative annual average class enrollment for each  
18 schoolsite in those grades is agreed to by the school district or  
19 charter school.

20 (E) The Superintendent of Public Instruction shall subtract from  
21 the total of the amounts computed pursuant to subparagraphs (A)  
22 to (D), inclusive, the amount of property tax revenue received by  
23 a basic aid school district or basic aid charter school that exceeds  
24 the total amount of funding it would have been entitled to that  
25 fiscal year pursuant to the local control funding formula established  
26 pursuant to Article 2 (commencing with Section 42238) of Chapter  
27 7 of Part 24 of Division 3 of Title 2 of the Education Code, as that  
28 ~~section~~ *article* read on July 1, 2015. For purposes of this section,  
29 a school district or charter school that does not receive an  
30 apportionment of state funds pursuant to the local control funding  
31 formula shall be considered a basic aid school district or a basic  
32 aid charter school.

33 (F) For purposes of this section, enrollment shall be measured  
34 in units of average daily attendance or its equivalent, and  
35 “unduplicated pupil” shall mean a student who is classified as  
36 either an English learner, eligible for a free or reduced-price meal,  
37 or a foster youth, as defined in Section 42238.01 of the Education  
38 Code, provided that a student may only be counted once for  
39 purposes of making supplemental and concentration grant  
40 adjustments, regardless of whether she or he falls within more than

1 one of these student subgroups. Students shall not be counted as  
2 enrolled in a school operated by a county superintendent of schools  
3 if they are otherwise counted as enrolled in a school district for  
4 purposes of calculating that school district's local control funding  
5 formula allocation.

6 (b) Moneys in the Local School and Community College  
7 Property Tax Fund are dedicated to the support of the K–14  
8 educational program for instructional improvement and  
9 accountability, and shall not be used to pay administrative costs.  
10 School districts, charter schools, and county offices of education  
11 shall demonstrate through their local control and accountability  
12 plans that they are increasing or improving services for  
13 unduplicated pupils in proportion to the increase in funds allocated  
14 pursuant to subparagraphs (B) and (C) of paragraph (3) of  
15 subdivision (a).

16 (c) Notwithstanding any other law, the moneys deposited in the  
17 Local School and Community College Property Tax Fund shall  
18 not be subject to appropriation, reversion, or transfer by the  
19 Legislature, the Governor, the Director of Finance, or the Controller  
20 for any purpose other than those specified in this section, nor shall  
21 such revenues be loaned to the General Fund or any other fund of  
22 the ~~state~~ *State* or any local government fund.

23 (d) Moneys allocated to community college districts, county  
24 offices of education, school districts, or charter schools from the  
25 Local School and Community College Property Tax Fund shall  
26 supplement, and shall not replace, other funding for education.  
27 Funds deposited into the Local School and Community College  
28 Property Tax Fund and allocated from the Local School and  
29 Community College Property Tax Fund shall not be deemed to be  
30 part of “total allocations to school districts and community college  
31 districts from General Fund proceeds of taxes appropriated pursuant  
32 to Article XIII B and allocated local proceeds of taxes” for purposes  
33 of paragraphs (2) and (3) of subdivision (b) of Section 8 or for  
34 purposes of Section 21. Revenues ~~derived from the taxes imposed~~  
35 ~~pursuant to~~ *generated by* Section 2.5 of Article XIII A shall not be  
36 deemed to be “General Fund revenues which may be appropriated  
37 pursuant to Article XIII B” for purposes of paragraph (1) of  
38 subdivision (b) of Section 8, Section 20, or Section 21, nor shall  
39 they be considered in the determination of “per capita General

1 Fund revenues” for purposes of subdivisions (b) and (e) of Section  
2 8.  
3 ~~Ninth—~~  
4 *Eighth—* This measure shall become operative on January 1,  
5 2018, except that subdivision (a) of Section 3.1 of Article XIII  
6 shall become operative on January 1, 2019.

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